



Primer: Business Sustainability for Small and Medium Enterprises (SMEs)

What is business sustainability?

Business sustainability makes firms resilient so they are better able to adapt to change. Sustainable businesses are prepared for the future because they:

- Create long-term financial value
- Understand how their actions affect the natural environment and try to reduce their impacts
- See their ties to others – for example, employees and community – and contribute to positive social change

These firms go beyond short-term financial goals and consider environmental and social implications – both in their day-to-day operations and when making long-term investments.

In many ways, SMEs are the original sustainable businesses. Close links to customers, employees and suppliers, and the integration of business with family life mean that SMEs are often better than large firms at understanding communities and the natural environment. Sustainability and the legacy of the firm are a part of SMEs' day-to-day activities – even if they don't call it "sustainability."

How will sustainability benefit my business?

Sustainability can have financial, environmental and social benefits that reinforce each other. **Benefits include:**

Saving money	Sustainability involves reducing waste and unnecessary energy, fuel and other inputs. All these actions can save companies money.
Managing business risks	Sustainability helps firms get ahead of supply chain pressure and ever-stricter regulation. Firms adopting sustainable practices early avoid a costly rush to comply.
Maintaining social acceptance or "license to operate"	<p>In order to do business, companies need to be seen positively by key groups, sometimes called "stakeholders." Sustainability means maintaining strong relationships with:</p> <ul style="list-style-type: none">• Employees. Treating employees well increases their job satisfaction and makes them more likely to stay with the company.¹ Other sustainability initiatives can also increase employee loyalty: company-sponsored volunteering is an example.²• Customers. Customers who know about a company's sustainability actions think better of the company and are more likely to patronize it.³ Companies that have integrated sustainability into their business systems may also find new market opportunities.• Local community. Community connections can have multiple benefits. For example, keeping neighbors informed about actions that might affect them, like a building expansion, will make projects go more smoothly.• Other companies. Peer companies increasingly value sustainability in their partners. Other companies can also provide sustainability advice and collaborate on sustainability initiatives.⁴• Regulators. Sustainable practices help companies meet legal requirements. As an added benefit, companies in compliance get new permits more quickly.⁵
Citizenship	Sustainability reinforces the integrity and legacy of the owner-manager, especially for family-owned firms. ⁶ More than this, taking responsibility for actions is in keeping with the role of a business person as a leader and responsible citizen.



Where should I start?

SMEs can take simple, achievable steps to become more sustainable. Even a very small firm can reinforce its position as a responsible member of the community without becoming a “sustainability expert.” Actions can be “quick wins” or “deep changes.”

- **Quick wins** are easy to accomplish and don’t require a lot of expertise or effort.
- **Deep changes** require that you take stock of your business and identify opportunities that are a good long-term fit. While more time consuming, deep changes may have more significant payoffs and result in enduring positive social change.

Here are some examples of quick wins and deep changes. Sources for more information are also included; details on those sources are in the next section.

	Quick Wins	Deep Changes
Environmental Actions		
• Energy	Let buildings stay slightly warmer in the summer and cooler in the winter, to reduce energy use – and bills. Using compact fluorescent lights will also reduce energy use.	Recommission buildings to ensure that heating, ventilation and cooling are functioning as intended; this typically saves 15 percent of energy use. Boilers, chillers and compressors also represent energy-saving opportunities. These interventions often pay back quickly. The Bloom Centre for Sustainability’s technical assistance program showcases successful case studies from diverse industrial sectors and offers Energy Saving Tips for industrial and commercial sectors.
• Waste and Pollution	Implement a recycling program to reduce waste and disposal costs.	Use Life Cycle Assessment and other tools to identify the “environmental footprint,” the total effects of products and processes. Then, address negative impacts through pollution prevention and process optimization. Industry Canada’s SME Sustainability Roadmap offers guidance on life cycle assessment. The Bloom Centre has pollution prevention (“P2”) tools .
Social Actions		
• Community	Inform community members in advance about changes that will affect them. They’ll be more supportive – and may even contribute good ideas.	Work with the community on a project of mutual interest, to develop solutions that benefit firm and community: e.g. on-the-job training for students. Visit NBS for resources on stakeholder engagement .
• Employees and Supply Chain	Support employee volunteering as a way to empower employees, develop their skills and loyalty, and also benefit the community.	Develop an ethical sourcing policy to ensure inputs are produced responsibly (e.g. Fair Trade for food); this effort can draw new customers and strengthen relationships with suppliers. Industry Canada’s SME Sustainability Roadmap offers guidance on sustainable purchasing. Visit NBS for resources on supply chains .



Where can I get more information?

- Industry Canada's [SME Sustainability Roadmap](#) identifies practices in many areas of sustainability. The guide can be used to plan a company's strategy or tackle one issue at a time.
- NBS's series of [primers](#) and [executive reports](#) offer overviews of the best research on diverse topics. NBS is developing a new series of fact sheets specifically for SMEs.
- The Bloom Centre for Sustainability offers [pollution prevention case studies](#) for diverse industries and energy saving tips for [industrial](#) and [commercial sectors](#), as well as [many more resources](#) related to clean manufacturing.
- Cardiff University's [The ABC of CSR for SMEs](#) provides a good overview of CSR, with a focus on employees, environment, community and supply chain.

What makes SMEs different?

An SME typically is:

- Managed in part or in whole by its owner(s)
- Independent, rather than a subsidiary or franchise
- Informal, without bureaucratic procedures and structures
- Dealing with day-to-day cash flow challenges and responding to short-term problems
- Characterized by multi-tasking and flexibility
- Characterized by the importance of personal relationships⁷

This primer was developed by Dr. Laura J. Spence, Professor of Business Ethics & Director, Centre for Research into Sustainability at Royal Holloway, University of London, UK. We appreciate the input of the NBS SME and Industry Association Councils and of the Bloom Centre for Sustainability.

References

- ¹ Spence, L.J. 2012. Is the customer really king? A closer look at key stakeholders for SMEs. *Network for Business Sustainability*. Retrieved from <http://nbs.net/is-the-customer-really-king-a-closer-look-at-key-stakeholders-for-smes/>
- ² Fisher, K., Geenen, J., Jurcevic, M., McClintock, K., & Davis, G. 2009. Applying asset-based community development as a strategy for CSR: a Canadian perspective on a win-win for stakeholders and SMEs. *Business Ethics: A European Review*, 18(1): 66-82.
- ³ Nielsen, A.E., & Thomsen, C. 2009. Investigating CSR communication in SMEs: A case study among Danish middle managers. *Business Ethics: A European Review*, 18(1): 83-93.
- ⁴ Spence, L.J., Coles, A-M & Harris, L. 2001. The forgotten stakeholder? Ethics and social responsibility in relation to competitors. *Business and Society Review*, 106(4): 331-352.
- ⁵ Decker, C.S. 2003. Corporate environmentalism and environmental statutory permitting." *Journal of Law and Economics*, 46: 103-129.
- ⁶ Mitchell, R., Agle, B., Chrisman, J., & Spence, L.J. 2011. Toward a theory of stakeholder salience in family firms. *Business Ethics Quarterly*, 21(2): 235-255.
- ⁷ Spence, L.J. 1999. Does size matter?: The state of the art in small business ethics. *Business Ethics: A European Review*, 8(3): 163-174.

Case Study

Montréal Alouettes, Montreal's football club employs 180 people. The club has reduced energy use and waste, in part through collaboration with its partners: Montreal's public transportation company, venue owners and cleaning services providers. As a result of these collaborations, a free shuttle between a metro stop and the stadium reduces car traffic, more efficient lighting at the stadium reduces energy consumption during matches and better waste management after the matches has led to 14 tons of waste reduction per season. The team is actually "carbon neutral," producing no net greenhouse gas emissions, due to its energy efficiency efforts and purchase of carbon credits. The club is also active in the community. Players tour schools, raising awareness of environmental issues and encouraging students to stay in school.